



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2007
OF THE CONDITION AND AFFAIRS OF THE

Premier Behavioral Systems of Tennessee, LLC

NAIC Group Code	0000	0000	NAIC Company Code	00000	Employer's ID Number	62-1641638
	(Current Period)	(Prior Period)				
Organized under the Laws of	Tennessee			State of Domicile or Port of Entry	Tennessee	
Country of Domicile	United States					
Licensed as business type:	Life, Accident & Health [] Property/Casualty [] Dental Service Corporation [] Vision Service Corporation [] Other [] Health Maintenance Organization [] Hospital, Medical & Dental Service or Indemnity [] Is HMO, Federally Qualified? Yes [] No []					
Incorporated/Organized	05/15/1996			Commenced Business	07/01/1996	
Statutory Home Office	222 Second Ave. N. Suite 220			Nashville, TN 37201		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	222 Second Ave. N. Suite 220			615-313-4463		
	Nashville, TN 37201			(Area Code) (Telephone Number)		
	(City or Town, State and Zip Code)					
Mail Address	222 Second Ave. N. Suite 220			Nashville, TN 37201		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	222 Second Ave. N. Suite 220			410-953-1643		
	Nashville, TN 37201			(Area Code) (Telephone Number)		
	(City or Town, State and Zip Code)					
Internet Website Address	N/A					
Statutory Statement Contact	Michael Fotinos			410-953-1643		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	mdfotinos@magellanhealth.com			410-953-5205		
	(E-mail Address)			(FAX Number)		

OFFICERS

Name	Title	Name	Title
Russell C. Petrella	President	William R. Grimm	Director

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Russell C. Petrella	William R. Grimm	Rene Lerer
---------------------	------------------	------------

State of Connecticut
County of Hartford ss Raymond A. Pelletier

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Russell C. Petrella President	William R. Grimm Director

Subscribed and sworn to before me this 16th day of February 2008
Raymonde A. Pelletier

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

RAYMONDE A. PELLETIER
NOTARY PUBLIC
MY COMMISSION EXPIRES AUG. 31, 2008

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	3,023,046		3,023,046	3,307,538
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	0		0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$36,722,624 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$0 , Schedule DA).....	36,722,624		36,722,624	47,106,654
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	39,745,670	0	39,745,670	50,414,192
11. Title plants less \$charged off (for Title Insurers only)			0	0
12. Investment income due and accrued	42,191		42,191	49,268
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,406,057		1,406,057	3,540,701
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			0	0
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset.....			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software.....			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	40,618		40,618	0
22. Health care (\$) and other amounts receivable.....			0	0
23. Aggregate write-ins for other than invested assets	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	41,234,536	0	41,234,536	54,004,161
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	41,234,536	0	41,234,536	54,004,161
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. Risk Share Receivable.....			0	0
2302. ASO Receivable.....			0	0
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	10,771,583		10,771,583	15,314,598
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses			0	0
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	151,865		151,865	87,467
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittance and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	241,258		241,258	288,346
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	15,608,686	0	15,608,686	10,820,202
22. Total liabilities (Lines 1 to 21)	26,773,392	0	26,773,392	26,510,613
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		0
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	23,245,279	23,245,279
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	(8,784,135)	4,248,269
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	14,461,144	27,493,548
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	41,234,536	54,004,161
DETAILS OF WRITE-INS				
2101. Premium Tax Payable	208,931		208,931	1,082,553
2102. Risk Share Payable	14,922,376		14,922,376	9,565,486
2103. Stale Check Liability	477,379		477,379	172,163
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	15,608,686	0	15,608,686	10,820,202
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	4,058,012	7,265,772
2. Net premium income (including \$0 non-health premium income).....	XXX	129,814,162	228,418,096
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	(5,356,890)	(9,999,968)
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	124,457,272	218,418,128
Hospital and Medical:			
9. Hospital/medical benefits		49,083,325	86,331,028
10. Other professional services		51,408,775	89,292,393
11. Outside referrals			0
12. Emergency room and out-of-area			0
13. Prescription drugs			0
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15)	0	100,492,100	175,623,421
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	0	100,492,100	175,623,421
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$0 cost containment expenses.....		1,298,142	2,284,181
21. General administrative expenses.....		13,770,796	23,844,732
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	115,561,038	201,752,334
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	8,896,234	16,665,794
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		2,071,362	2,060,686
26. Net realized capital gains (losses) less capital gains tax of \$			0
27. Net investment gains (losses) (Lines 25 plus 26)	0	2,071,362	2,060,686
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	10,967,596	18,726,480
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	10,967,596	18,726,480
DETAILS OF WRITE-INS			
0601. Risk Share Revenue.....	XXX	(5,356,890)	(9,999,968)
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	(5,356,890)	(9,999,968)
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	27,493,548	11,067,068
34. Net income or (loss) from Line 32	10,967,596	18,726,480
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		0
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	0	0
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders	(24,000,000)	(2,300,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital & surplus (Lines 34 to 47)	(13,032,404)	16,426,480
49. Capital and surplus end of reporting period (Line 33 plus 48)	14,461,144	27,493,548
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	131,948,806	230,439,777
2. Net investment income	2,062,931	2,021,347
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	134,011,737	232,461,124
5. Benefit and loss related payments	106,333,257	188,324,407
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	14,362,510	24,450,292
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	0	0
10. Total (Lines 5 through 9)	120,695,767	212,774,699
11. Net cash from operations (Line 4 minus Line 10)	13,315,970	19,686,425
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	300,000	3,020,000
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	300,000	3,020,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds	0	2,993,526
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	2,993,526
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	300,000	26,474
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	24,000,000	2,300,000
16.6 Other cash provided (applied).....	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(24,000,000)	(2,300,000)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	(10,384,030)	17,412,899
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	47,106,654	29,693,755
19.2 End of year (Line 18 plus Line 19.1)	36,722,624	47,106,654

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Conversion of debt to equity.....	0	0
20.0002. Assets acquired by assuming directly related liabilities.....	0	0
20.0003. Exchange of non-cash assets or liabilities.....	0	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	129,814,162	.0	.0	.0	.0	.0	.0	129,814,162	.0	.0
2. Change in unearned premium reserves and reserve for rate credit .....	.0									
3. Fee-for-service (net of \$										
medical expenses) .....	.0									XXX
4. Risk revenue .....	.0									XXX
5. Aggregate write-ins for other health care related revenues	(5,356,890)	.0	.0	.0	.0	.0	.0	(5,356,890)	.0	XXX
6. Aggregate write-ins for other non-health care related revenues .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
7. Total revenues (Lines 1 to 6)	124,457,272	.0	.0	.0	.0	.0	.0	124,457,272	.0	.0
8. Hospital/medical/ benefits	49,083,325							49,083,325		XXX
9. Other professional services	51,408,775							51,408,775		XXX
10. Outside referrals .....	.0									XXX
11. Emergency room and out-of-area .....	.0									XXX
12. Prescription Drugs .....	.0									XXX
13. Aggregate write-ins for other hospital and medical .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
14. Incentive pool, withhold adjustments and bonus amounts .....	.0									XXX
15. Subtotal (Lines 8 to 14)	100,492,100	.0	.0	.0	.0	.0	.0	100,492,100	.0	XXX
16. Net reinsurance recoveries .....	.0									XXX
17. Total hospital and medical (Lines 15 minus 16)	100,492,100	.0	.0	.0	.0	.0	.0	100,492,100	.0	XXX
18. Non-health claims (net) .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
19. Claims adjustment expenses including \$ .....	.0									
cost containment expenses	1,298,142							1,298,142		
20. General administrative expenses	13,770,796							13,770,796		
21. Increase in reserves for accident and health contracts .....	.0									XXX
22. Increase in reserves for life contracts .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	115,561,038	.0	.0	.0	.0	.0	.0	115,561,038	.0	.0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	8,896,234	.0	.0	.0	.0	.0	.0	8,896,234	.0	.0
DETAILS OF WRITE-INS										
0501. Risk Share	(5,356,890)							(5,356,890)		XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	(5,356,890)	.0	.0	.0	.0	.0	.0	(5,356,890)	.0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....				.0
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare .....				.0
7. Title XIX - Medicaid.....	129,814,162			129,814,162
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8)	129,814,162	.0	.0	129,814,162
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	129,814,162	0	0	129,814,162

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	105,035,115							105,035,115		
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	105,035,115	0	0	0	0	0	0	105,035,115	0	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	10,771,583	0	0	0	0	0	0	10,771,583	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	10,771,583	0	0	0	0	0	0	10,771,583	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0									
6. Net healthcare receivables (a)	0									
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	15,314,598	0	0	0	0	0	0	15,314,598	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	15,314,598	0	0	0	0	0	0	15,314,598	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	100,492,100	0	0	0	0	0	0	100,492,100	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	100,492,100	0	0	0	0	0	0	100,492,100	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	0									
1.2. Reinsurance assumed	0									
1.3. Reinsurance ceded	0									
1.4. Net	0	0	0	0	0	0	0	0	0	0
2. Incurred but Unreported:										
2.1. Direct	10,771,583							10,771,583		
2.2. Reinsurance assumed	0									
2.3. Reinsurance ceded	0									
2.4. Net	10,771,583	0	0	0	0	0	0	10,771,583	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	0									
3.2. Reinsurance assumed	0									
3.3. Reinsurance ceded	0									
3.4. Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1. Direct	10,771,583	0	0	0	0	0	0	10,771,583	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4. Net	10,771,583	0	0	0	0	0	0	10,771,583	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)					0	0
2. Medicare Supplement					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums					0	0
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid.....	15,116,916	89,918,199	852,782	9,918,801	15,969,698	15,314,598
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	15,116,916	89,918,199	852,782	9,918,801	15,969,698	15,314,598
10. Healthcare receivables (a).....					0	
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts					0	0
13. Totals (Lines 9 - 10 + 11 + 12)	15,116,916	89,918,199	852,782	9,918,801	15,969,698	15,314,598

(a) Excludes \$loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	267,408	267,734	268,201	268,215	268,215
2. 2003	234,387	251,186	251,538	251,557	251,555
3. 2004	XXX	212,421	225,704	225,496	225,496
4. 2005	XXX	XXX	172,615	198,233	198,785
5. 2006	XXX	XXX	XXX	160,597	175,164
6. 2007	XXX	XXX	XXX	XXX	89,918

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	268,744	268,565	268,699	268,713	268,215
2. 2003	252,294	251,628	251,655	251,557	251,555
3. 2004	XXX	226,001	225,846	225,515	225,496
4. 2005	XXX	XXX	197,590	198,922	198,919
5. 2006	XXX	XXX	XXX	174,705	175,883
6. 2007	XXX	XXX	XXX	XXX	99,837

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2003.....	265,339	251,555	2,379	0.9	253,934	95.7	0	0	253,934	95.7
2. 2004.....	239,093	225,496	1,464	0.6	226,960	94.9	0	0	226,960	94.9
3. 2005.....	226,640	198,785	1,971	1.0	200,756	88.6	134	0	200,890	88.6
4. 2006.....	228,418	175,164	2,284	1.3	177,448	77.7	719	0	178,167	78.0
5. 2007	129,814	89,918	1,298	1.4	91,216	70.3	9,919	0	101,135	77.9

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	267,408	267,734	268,201	268,215	268,215
2. 2003.....	234,387	251,186	251,538	251,557	251,555
3. 2004.....	XXX	212,421	225,704	225,496	225,496
4. 2005.....	XXX	XXX	172,615	198,233	198,785
5. 2006.....	XXX	XXX	XXX	160,597	175,164
6. 2007.....	XXX	XXX	XXX	XXX	89,918

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	268,744	268,565	268,699	268,713	268,215
2. 2003.....	252,294	251,628	251,655	251,557	251,555
3. 2004.....	XXX	226,001	225,846	225,515	225,496
4. 2005.....	XXX	XXX	197,590	198,922	198,919
5. 2006.....	XXX	XXX	XXX	174,705	175,883
6. 2007.....	XXX	XXX	XXX	XXX	99,837

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2003.....	265,339	251,555	2,379	0.9	253,934	95.7	0	0	253,934	95.7
2. 2004.....	239,093	225,496	1,464	0.6	226,960	94.9	0	0	226,960	94.9
3. 2005.....	226,640	198,785	1,971	1.0	200,756	88.6	134	0	200,890	88.6
4. 2006.....	228,418	175,164	2,284	1.3	177,448	77.7	719	0	178,167	78.0
5. 2007.....	129,814	89,918	1,298	1.4	91,216	70.3	9,919	0	101,135	77.9

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	.0								
2. Additional policy reserves (a) .....	.0								
3. Reserve for future contingent benefits .....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ for investment income) .....	.0								
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4) .....	.0			.0	.0	.0	.0	.0	.0
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0

(a) Includes \$ premium deficiency reserve.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building).....			165,079		165,079
2. Salaries, wages and other benefits.....			5,937,834		5,937,834
3. Commissions (less \$ceded plus \$assumed.....			17,879		17,879
4. Legal fees and expenses.....			68,166		68,166
5. Certifications and accreditation fees.....			511		511
6. Auditing, actuarial and other consulting services.....			723,657		723,657
7. Traveling expenses.....			216,619		216,619
8. Marketing and advertising.....			142,262		142,262
9. Postage, express and telephone.....			265,020		265,020
10. Printing and office supplies.....			716,429		716,429
11. Occupancy, depreciation and amortization.....			2,706,678		2,706,678
12. Equipment.....			4,203		4,203
13. Cost or depreciation of EDP equipment and software.....					0
14. Outsourced services including EDP, claims, and other services.....			(4,773)		(4,773)
15. Boards, bureaus and association fees.....			35,658		35,658
16. Insurance, except on real estate.....					0
17. Collection and bank service charges.....			66,971		66,971
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....			3,152		3,152
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			1,675		1,675
23.2 State premium taxes.....			2,512,912		2,512,912
23.3 Regulatory authority licenses and fees.....					0
23.4 Payroll taxes.....					0
23.5 Other (excluding federal income and real estate taxes).....			190,864		190,864
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	1,298,142	0	0	1,298,142
26. Total expenses incurred (Lines 1 to 25).....	0	1,298,142	13,770,796	0	(a) 15,068,938
27. Less expenses unpaid December 31, current year.....			151,865		151,865
28. Add expenses unpaid December 31, prior year.....	0	0	87,467	0	87,467
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	0	1,298,142	13,706,398	0	15,004,540
DETAIL OF WRITE-INS					
2501. Claims processing expense allocated from parent.....		1,298,142			1,298,142
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	0	1,298,142	0	0	1,298,142

(a) Includes management fees of \$to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a).....152,101	.....145,015
1.1	Bonds exempt from U.S. tax	(a).....	.....
1.2	Other bonds (unaffiliated)	(a).....	.....
1.3	Bonds of affiliates	(a).....	.....
2.1	Preferred stocks (unaffiliated)	(b).....	.....
2.11	Preferred stocks of affiliates	(b).....	.....
2.2	Common stocks (unaffiliated) .....	.....0	.....
2.21	Common stocks of affiliates .....	.....0	.....
3.	Mortgage loans	(c).....	.....
4.	Real estate	(d).....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e).....1,926,347	.....1,926,347
7.	Derivative instruments	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income	2,078,448	2,071,362
11.	Investment expenses		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h).....
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total (Lines 11 through 15) .....		.....0
17.	Net Investment Income - (Line 10 minus Line 16)		2,071,362
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

(a) Includes \$15,508 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued interest on purchases.
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5.
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds			0		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)			0		
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	0	0	0	0	0
2.21	Common stocks of affiliates	0	0	0	0	0
3.	Mortgage loans			0		0
4.	Real estate	0		0		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments			0		
7.	Derivative instruments			0		
8.	Other invested assets			0		0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	0	0	0	0	0
DETAILS OF WRITE-INS						
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but not and not yet due.....	0	0	0
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	0	0	0
23. Aggregate write-ins for other than invested assets	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	0	0	0
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	0	0	0
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0

NONE

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	.0					
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	606,786	602,645	247,083	250,262	254,154	4,058,012
7. Total	606,786	602,645	247,083	250,262	254,154	4,058,012
DETAILS OF WRITE-INS						
0601. Behavioral Health Organization.....	606,786	602,645	247,083	250,262	254,154	4,058,012
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	606,786	602,645	247,083	250,262	254,154	4,058,012

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

EXHIBIT 3 - HEALTH CARE RECEIVABLES

[illegible]

EXHIBIT 4 – CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

[illegible]

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

[illegible]

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

[illegible]

EXHIBIT 7 PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total Payments	3 Total Members Covered	4 Column 3 as a % of Total Members	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	47,134,533	44.9		0.0		47,134,533
2. Intermediaries	0	0.0		0.0		
3. All other providers	401,949	0.4		0.0		401,949
4. Total capitation payments	47,536,482	45.3	0	0.0	0	47,536,482
Other Payments:						
5. Fee-for-service	57,060,817	54.3	XXX	XXX		57,060,817
6. Contractual fee payments	0	0.0	XXX	XXX		
7. Bonus/withhold arrangements - fee-for-service	0	0.0	XXX	XXX		
8. Bonus/withhold arrangements - contractual fee payments	0	0.0	XXX	XXX		
9. Non-contingent salaries	0	0.0	XXX	XXX		
10. Aggregate cost arrangements	0	0.0	XXX	XXX		
11. All other payments	437,816	0.4	XXX	XXX		437,816
12. Total other payments	57,498,633	54.7	XXX	XXX	0	57,498,633
13. Total (Line 4 plus Line 12)	105,035,115	100 %	XXX	XXX	0	105,035,115

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	5 Intermediary's Total Adjusted Capital	6 Intermediary's Authorized Control Level RBC
	NONE				
9999999 Totals			XXX	XXX	XXX

EXHIBIT 8 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

Description	1	2	3	4	5	6
	Cost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
1. Administrative furniture and equipment	NONE					
2. Medical furniture, equipment and fixtures						
3. Pharmaceuticals and surgical supplies						
4. Durable medical equipment						
5. Other property and equipment						
6. Total	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. ACCOUNTING PRACTICES

The accompanying financial statements of Premier Behavioral Systems of Tennessee, LLC. ("PBS" or the "Company") have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions, the NAIC Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance, which represents a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

B. USE OF ESTIMATES IN PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates.

C. ACCOUNTING POLICY

CASH AND SHORT TERM INVESTMENTS:

Cash and short-term investments consist of cash on hand and in banks, along with commercial paper whose maturities at time of acquisition were one year or less and whose carrying value approximate their fair market value.

REVENUE AND PREMIUMS RECEIVABLE:

Capitation payments are recognized as revenue in the month due to the Company. The State of Tennessee TennCare mental health services program ("TennCare") retains a one month withhold – currently at 2.5% - on premiums paid to Premier pursuant to Section 4.7.2 of the Provider Risk Contract (the "Contract"). The purpose of this withhold is to assure the Contractor's compliance with all terms and conditions of the Contract. Additionally, retroactive membership adjustments are paid over a twelve month period. As these retroactive membership adjustments are material to the Company's results, the Company records an estimated receivable, based on historical payment patterns. This receivable is included as a component of Uncollected Premiums in the accompanying financial statements.

Per Section 4.7.1.2 of the Contract, the Company elected to participate in a profit/loss risk banding arrangement with the State of Tennessee. Effective January 2002, the company elected to use profit/loss risk banding option 2, under which losses up to ten percent are shared equally by the Company and the State ("option 2"). In January 2003, the company changed its election to Option 4, under which the states absorbs 100% of profits and losses. Effective January 2006, the profit/loss risk banding terms between the Company and the State were amended. Under the terms of the amendment, the Company and the State share gains above a medical loss ratio of 85% and losses above a medical loss ratio of 91%, equally. Risk share revenue is recognized on a monthly basis consistent with the applicable terms. The receivable related to the profit/loss risk banding is evaluated monthly, based on current estimates of medical costs. Based on this review, any required adjustment for prior period risk share revenue is recognized.

INVESTMENTS:

Investment securities at December 31, 2007, consist of two U.S. Treasury Notes whose maturities at time of acquisition were greater than one year and whose carrying value approximates the fair market value.

MEDICAL CLAIMS PAYABLE:

The liability for medical claims payable includes estimated medical costs as of December 31, 2007 and expenses necessary to cover the ultimate net costs of investigating and settling all claims. The estimated medical claims payable includes the accumulation of estimates for claims reported prior to year-end and estimates of claims incurred but not reported.

Medical claims payable is computed in accordance with generally accepted actuarial practices and is based upon authorized healthcare services and past claims payment experience, together with historical utilization experience and management judgment. Estimates are monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected by the Company in current operations.

Note 2 - Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State. Effective January 1, 2001, the State required that insurance companies domiciled in the State of Tennessee prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Tennessee insurance commissioner.

There have been no significant changes to any estimates, contingent liabilities, leases or any other subsequent event that would impact the presentation of these statements.

Note 3 - Business Combinations and Goodwill

- A. Statutory Purchase Method – Not applicable.
- B. Statutory Merger - Not applicable.
- C. Assumption Reinsurance - Not applicable.
- D. Impairment Loss - Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

- A. Mortgage Loan, including Mezzanine Real Estate Loans – Not applicable.
- B. Debt Restructuring – Not applicable.
- C. Reverse Mortgages – Not applicable.
- D. Loan Backed Securities – Not applicable.
- E. Repurchase Agreements – Not applicable.
- F. Real Estate – Not applicable.
- G. Investments in low-income tax credits – Not applicable.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

The Company does not have any Investments in Joint Ventures, Partnerships, or Limited Liability Companies.

Note 7 - Investment Income

No investment income was excluded from Surplus.

Note 8 - Derivative Instruments

- A. Market risk, credit risk and cash requirements of the derivative – Not applicable.
- B. Objectives for using derivatives – Not applicable.
- C. Accounting policies for recognizing and measuring derivatives used – Not applicable.
- D. Net gain or loss recognized in unrealized gains and losses during the reporting period representing the component of the derivative instruments gain of loss – Not applicable.
- E. Net gain or loss recognized in unrealized gains and losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting – Not applicable.
- F. Derivatives accounted for as cash flow hedges of a forecasted transaction – Not applicable.

Note 9 - Income Taxes

No provision has been made for federal and state income taxes since such taxes are the responsibility of the individual members.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of relationship -

The Company was organized in May 1996 by Premier Holdings, Inc (a wholly-owned subsidiary of AdvoCare), Columbia Behavioral Health, LLC ("CBH") and Managed Health Network, Inc. ("Foundation") for the purposes of contracting with the State of Tennessee Department of Mental Health and Mental Retardation to deliver mental health and substance abuse services to participants of TennCare. The contract was effective and operations of the Company commenced July 1, 1996 with the contract, as amended, ending on June 30, 2008. The State, at its discretions, may terminate the contract prior to June 30, 2008 provided it gives the Contractor sixty (60) days notice.

In September 1997, the Company amended and restated its operating agreement by and between Premier Holdings, Inc and CBH whereby each of these entities would have both financial and governance rights equal to 50%. On April 11, 2006, Premier Holdings, Inc, purchased Columbia Behavioral Health, LLC.'s fifty percent ownership interest in the Company. As of April 1, 2006, Premier Holdings, ultimately a fully owed subsidiary of Magellan Health Services, has full ownership interest in the Company. The transaction was approved by the Department of Commerce and Insurance.

The State generally regulates the Company as a Health Maintenance Organization and the Company was licensed during October 2002 as a prepaid limited health service organization. The Company's contract with the State represents its only customer.

Magellan was required to implement the provisions of fresh-start reporting, as prescribed by the American Institute of Certified Public Accountants' Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*. The effects of Magellan's adoption of fresh-start reporting did not impact the Company's financial statements.

- B. Description of transactions – The Company generally has the following transactions with affiliated entities:
 - a. Accounts payable paid by the parent (Magellan Health Service) - \$675,782
 - b. Management fees paid to Magellan and AdvoCare of Tennessee ("AdvoCare") – see F. below description and amounts.

NOTES TO FINANCIAL STATEMENTS

- C. Dollar amount of transactions – see B
- D. Amounts due to/from related parties – Balances as of December 31, 2007
 - a. Due to Magellan – (\$125,264)
 - b. Due to Advocare – (\$115,995)
 - c. Due from Premier - \$40,618
- E. Guarantees or undertakings for benefit of affiliate – Not applicable.
- F. Material management or service contracts and cost sharing arrangements with related parties –

The Company contracts with AdvoCare of Tennessee, Inc. (“AdvoCare”), a related party, to manage the operations, administrative services and clinical services related to the provision of all mental health benefits, to provide case management services and to arrange primary care and outpatient services. For the year ended December 31, 2007, the Company incurred expense of approximately \$10,385,133 related to these services.

The Company contracts with Magellan Behavioral Health Systems, LLC. to process and pay medical claims. For the year ended December 31, 2007 the Company incurred expense of approximately \$1,298,142 related to these services.

- G. Common ownership or control – Not applicable.
- H. No significant change
- I. Investment in SCA that exceeds 10% - Not applicable.
- J. Investments in impaired SCA entities – Not applicable.
- K. Investment in a foreign insurance subsidiary – Not applicable.

Note 11 - Debt

The Company does not have any

Note 12 - Retirement Plans, Deferred Compensation, Post employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan – Not applicable.
- B. Defined Contribution Plans – Not applicable.
- C. Multiemployer Plan – Not applicable.
- D. Consolidated/Holding Company plans – Not applicable.
- E. Post-employment Benefits and Compensated Absences – Not applicable.

Note 13 - Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

The Company must establish and maintain a net worth and working capital which is the greater of either the amount as required by applicable statute; or four percent (4%) of the first one hundred fifty million dollars (\$150,000,000) of annual projected premium revenue plus one and one half percent (1.5%) of annual projected premium revenue over one hundred fifty million dollars (\$150,000,000) where net worth is calculated as net admitted assets in excess of liability as reported in accordance with statutory accounting principles. The Contractor shall establish and maintain the net worth and working capital balances required by applicable statute throughout the term of the contract. As of December 31, 2007, based on 2007 revenues, the Company’s net worth requirement is \$4,978,291. The Company is in compliance with this requirement.

On June 26, 2007, TDCI approved a Form D Prior Notice of Transaction filing for the distribution of equity in the amount of \$24,000,000. The distribution of equity to the parent company was completed on July 3, 2007.

Note 14 - Contingencies

The Company is party to various other legal proceedings incidental to its business. In the opinion of management, any ultimate liability with respect to these actions will not materially affect the financial position or results of the Company.

The Company is covered under Magellan's professional liability insurance. Coverage is limited to the period in which a claim is asserted, rather than when the incident giving rise to such claim occurred. Management has the intent to renew the insurance coverage, and historically has been able to renew such coverage. In the event Magellan was unable to obtain professional liability insurance at the expiration of the current policy period, it is possible that the Company would be uninsured for claims asserted after the expiration of the current policy period. The claims-made policy has been renewed through June 17, 2008.

Note 15 - Leases

- A. Lessee Operating Lease – Not applicable.
- B. Lessor Leases and Leveraged Leases – Not applicable.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

The Company does not have any financial instruments with off-balance sheet risk. Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash

NOTES TO FINANCIAL STATEMENTS

equivalents, investments and uncollected premiums. The Company maintains its cash and cash equivalents with what it believes to be high quality financial instruments. The fair value of the Company's investments is substantially equivalent to their carrying value and, although there is some credit risk associated with these investments, the Company believes the risk to be minimal. The Company's uncollected premiums as of year-end are current.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables reported as Sales – Not applicable.
- B. Transfer and Servicing of Financial Assets – Not applicable
- C. Wash Sales – The Company has not engaged in any Wash Sales during the current calendar quarter or year.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans – Not applicable.
- B. ASC Plans – Not applicable
- C. Medicare of Similarly Structured Cost Based Reimbursement contract – Not applicable.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable

Note 20 - Other Items

- A. Extraordinary items – Not applicable.
- B. Troubled Debt Restructuring: Debtor – Not applicable
- C. Other Disclosures –
 - a. On July 26, 2006, TennCare announced the managed care organizations which were awarded the contracts to provide integrated behavioral and physical health services in the Middle Region of the State. Since the Company was not a party to either of the contract awards, effective April 1, 2007, the Company will ceased providing services to TennCare members in the Middle region.
- D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 – Not applicable.
- E. Business Interruption Insurance Recoveries – Not applicable.
- F. Hybrid Securities – Not applicable.
- G. State Transferable Tax Credits – Not applicable.
- H. Impact of Medicare Modernization Act – Not applicable

Note 21 - Events Subsequent

In January, TennCare issued an RFP seeking to award contracts for the provision of integrated behavioral and physical health services in the East and West Regions of the State. The West Region contract would be effective November 1, 2007 and the East Region contract would be effective January 1, 2009. It is unclear what impact this would have on the Company.

Note 22 - Reinsurance

- A. Ceded Reinsurance Report – Not applicable.
- B. Uncollectible Reinsurance – Not applicable.
- C. Commutation of Ceded Reinsurance – Not applicable.

Note 23 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable

Note 24 - Change in Incurred Claims and Claims Adjustment Expenses

Changes in reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years are as follows:

Claims unpaid as of January 1, 2007	\$ 15,314,598
Current year claims paid related to prior years	(15,116,916)
Current year change in claims incurred related to prior years	<u>655,100</u>
Claims unpaid as of December 31, 2007 related to prior years	<u>\$ 852,782</u>

Note 25 - Intercompany Pooling Arrangements

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 26 - Structured Settlements

Not applicable.

Note 27 - Health Care Receivables

The Company has certain health care receivables generated in the normal course of doing business. As of December 31, 2007, the Company has no health care receivables. Any such receivables are accounted for consistently with the appropriate NAIC regulations.

Note 28 - Participating Policies

Not applicable.

Note 29 - Premium Deficiency Reserves

Not applicable.

Note 30 - Anticipated Salvage and Subrogation

Not applicable.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	625,000	1.572	625,000	1.572
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	2,398,046	6.033	2,398,046	6.033
1.22 Issued by U.S. government sponsored agencies		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000		0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.000		0.000
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	0	0.000
5.2 Property held for the production of income (including \$of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	36,722,624	92.394	36,722,624	92.394
9. Other invested assets		0.000		0.000
10. Total invested assets	39,745,670	100.000	39,745,670	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [] No [X]
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [] No [] NA [X]
- 1.3

State Regulating?

Tennessee
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

06/30/2006
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

06/30/2006
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

04/20/2007
- 3.4

By what department or departments? Tennessee Department of Commerce and Insurance
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11

sales of new business?

Yes [] No [X]
- 4.12

renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21

sales of new business?

Yes [] No [X]
- 4.22

renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,
- 7.21

State the percentage of foreign control;
- 7.22

State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young, LLP, 621 Pratt Street, Baltimore, MD 21202
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Michael J. Cellini (Senior Manager and Consulting Actuary) Ernst & Young, LLP
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved

11.13

Total book/adjusted carrying value

\$
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

Compliance with applicable governmental laws, rules and regulations;

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended?

Yes [] No [X]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person?

Yes [X] No []

GENERAL INTERROGATORIES
FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [] No [X]

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$0

18.12 To stockholders not officers

\$0

18.13 Trustees, supreme or grand (Fraternal only)

\$0

18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$0

18.22 To stockholders not officers

\$0

18.23 Trustees, supreme or grand (Fraternal only)

\$0

19.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$

19.22 Borrowed from others

\$

19.23 Leased from others

\$

19.24 Other

\$

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [] No [X]

20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment

\$

20.22 Amount paid as expenses

\$

20.23 Other amounts paid

\$

21.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []

21.2 If yes, indicated any amounts receivable from parent included in the Page 2 amount:

\$40,618

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date?

Yes [X] No []

22.2 If no, give full and complete information relating thereto:

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1)

Yes [] No [X]

23.2 If yes, state the amount thereof at December 31 of the current year:

23.21 Loaned to others

\$

23.22 Subject to repurchase agreements

\$

23.23 Subject to reverse repurchase agreements

\$

23.24 Subject to dollar repurchase agreements

\$

23.25 Subject to reverse dollar repurchase agreements

\$

23.26 Pledged as collateral

\$

23.27 Placed under option agreements

\$

23.28 Letter stock or other securities restricted as to sale

\$

23.29 On deposit with state or other regulatory body

\$

23.291 Other

\$

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes [] No [] NA [X]

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]

25.2 If yes, state the amount thereof at December 31 of the current year:

\$

GENERAL INTERROGATORIES

26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [] No [X]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
.....
.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>2</div> <div>Complete Explanation(s)</div>
.....
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No [X]

26.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....
.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>2</div> <div>Address</div>
.....
.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [] No [X]

27.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP #</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
.....
.....
27.2999	TOTAL	0

27.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding Of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
.....
.....

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds.....	3,023,046	3,026,537	3,491
28.2 Preferred stocks.....	0		0
28.3 Totals	3,023,046	3,026,537	3,491

28.4 Describe the sources or methods utilized in determining fair values:

U.S. Bank.....

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

29.2 If no, list the exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

31.1 Amount of payments for legal expenses, if any?.....\$

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2 If yes, indicate premium earned on U. S. business only

\$0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$.....

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$.....

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$0

1.62 Total incurred claims \$0

1.63 Number of covered lives0

All years prior to most current three years:

1.64 Total premium earned \$0

1.65 Total incurred claims \$0

1.66 Number of covered lives0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$0

1.72 Total incurred claims \$0

1.73 Number of covered lives0

All years prior to most current three years:

1.74 Total premium earned \$0

1.75 Total incurred claims \$0

1.76 Number of covered lives0

2. Health Test:

1

Current Year

2

Prior Year

2.1 Premium Numerator \$129,814,162 \$228,418,096

2.2 Premium Denominator \$129,814,162 \$228,418,096

2.3 Premium Ratio (2.1/2.2)1.0001.000

2.4 Reserve Numerator \$ \$0

2.5 Reserve Denominator \$10,771,583 \$15,314,598

2.6 Reserve Ratio (2.4/2.5)0.0000.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No []

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

5.2 If no, explain:

The Company is a behavioral health organization not a health maintenance orgazization (HMO). There is no market for reinsurance.

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical \$.....

5.32 Medical Only \$.....

5.33 Medicare Supplement \$.....

5.34 Dental \$.....

5.35 Other Limited Benefit Plan \$.....

5.36 Other \$.....

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

The majority of our members are covered under medicaid. Providers agree to accept our payment in full and not balance bill members.

7.1 Does the reporting entity set up its claim liability for provider services on a service date base?

Yes [X] No []

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year8,186

8.2 Number of providers at end of reporting year7,172

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes [] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$.....

10.22 Amount actually paid for year bonuses

\$.....

10.23 Maximum amount payable withholds

\$.....

10.24 Amount actually paid for year withholds

\$.....

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No [X]

11.13 An Individual Practice Association (IPA), or,

Yes [] No [X]

11.14 A Mixed Model (combination of above) ?.....

Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth.

Tennessee

11.4 If yes, show the amount required.

\$.....4,978,291

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6 If the amount is calculated, show the calculation.

4% of revenue up to \$150,000,000, 1.5% of revenue in excess of \$150,000,000.

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Tennessee.....

FIVE-YEAR HISTORICAL DATA

	1 2007	2 2006	3 2005	4 2004	5 2003
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	41,234,536	54,004,161	39,605,958	28,821,745	52,190,881
2. Total liabilities (Page 3, Line 22)	26,773,392	26,510,613	28,538,890	17,757,374	41,996,826
3. Statutory surplus	(8,784,135)	4,248,269	(12,178,211)	(12,180,908)	(13,051,224)
4. Total capital and surplus (Page 3, Line 31)	14,461,144	27,493,548	11,067,068	11,064,371	10,194,055
Income Statement (Page 4)					
5. Total revenues (Line 8)	124,457,272	218,418,128	223,617,997	252,562,265	279,940,698
6. Total medical and hospital expenses (Line 18)	100,492,100	175,623,421	197,594,684	225,156,196	248,647,797
7. Claims adjustment expenses (Line 20)	1,298,142	2,284,181	2,266,397	1,979,714	1,793,886
8. Total administrative expenses (Line 21)	13,770,796	23,844,732	24,490,061	24,958,897	25,624,533
9. Net underwriting gain (loss) (Line 24)	8,896,234	16,665,794	(733,145)	467,458	3,874,482
10. Net investment gain (loss) (Line 27)	2,071,362	2,060,686	733,145	137,047	146,161
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income (loss) (Line 32)	10,967,596	18,726,480	0	604,505	4,020,643
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	13,315,970	19,686,425			
Risk - Based Capital Analysis					
14. Total adjusted capital	14,461,144	27,493,548	11,067,068	11,064,371	10,194,055
15. Authorized control level risk-based capital	4,357,670	6,836,843	6,519,223	7,649,242	8,392,882
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	254,154	606,786	589,687	627,081	887,376
17. Total member months (Column 6, Line 7)	4,058,012	7,265,772	7,408,990	9,123,663	10,552,270
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19)	77.4	76.9	87.2	94.2	93.7
20. Cost containment expenses	0.0	0.0	0.0	0.0	xxx
21. Other claims adjustment expenses	1.0	1.0	1.0	0.8	0.6
22. Total underwriting deductions (Line 23)	89.0	88.3	99.0	105.4	104.0
23. Total underwriting gain (loss) (Line 24)	6.9	7.3	(0.3)	0.2	1.5
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	15,969,698	26,649,561	14,858,658	18,398,727	16,603,599
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	15,314,598	25,731,403	14,853,530	19,243,337	20,249,497
Investments In Parent, Subsidiaries And Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1)	0				
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7)	0				
30. Affiliated mortgage loans on real estate		0	0	0	0
31. All other affiliated		0	0	0	0
32. Total of above Lines 26 to 31	0	0	0	0	0



ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION Premier Behavioral Systems of Tennessee, LLC 2. (LOCATION)

NAIC Group Code	0000	BUSINESS IN THE STATE OF Tennessee		DURING THE YEAR 2007				NAIC Company Code		00000
	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	606,786								606,786	
2. First Quarter	602,645								602,645	
3. Second Quarter	247,083								247,083	
4. Third Quarter	250,262								250,262	
5. Current Year	254,154								254,154	
6. Current Year Member Months	4,058,012								4,058,012	
Total Member Ambulatory Encounters for Year:										
7. Physician	213,355								213,355	
8. Non-Physician	166,610								166,610	
9. Total	379,965	0	0	0	0	0	0	0	379,965	0
10. Hospital Patient Days Incurred	88,468								88,468	
11. Number of Inpatient Admissions	6,780								6,780	
12. Health Premiums Written (b).....	129,814,162								129,814,162	
13. Life Premiums Direct	0									
14. Property/Casualty Premiums Written.....	0									
15. Health Premiums Earned.....	129,814,162								129,814,162	
16. Property/Casualty Premiums Earned.....	0									
17. Amount Paid for Provision of Health Care Services	105,035,115								105,035,115	
18. Amount Incurred for Provision of Health Care Services	100,492,100								100,492,100	

(a) For health business: number of persons insured under PPO managed care products and number of persons under indemnity only products

(b) For health premiums written: amount of Medicare Title XVIII exempt from state taxes of fees \$



ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION Premier Behavioral Systems of Tennessee, LLC 2. (LOCATION)

NAIC Group Code	0000	BUSINESS IN THE STATE OF Consolidated		DURING THE YEAR 2007					NAIC Company Code		00000
	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	
		2	3								
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other	
Total Members at end of:											
1. Prior Year	606,786	0	0	0	0	0	0	0	606,786	0	
2. First Quarter	602,645	0	0	0	0	0	0	0	602,645	0	
3. Second Quarter	247,083	0	0	0	0	0	0	0	247,083	0	
4. Third Quarter	250,262	0	0	0	0	0	0	0	250,262	0	
5. Current Year	254,154	0	0	0	0	0	0	0	254,154	0	
6. Current Year Member Months	4,058,012	0	0	0	0	0	0	0	4,058,012	0	
Total Member Ambulatory Encounters for Year:											
7. Physician	213,355	0	0	0	0	0	0	0	213,355	0	
8. Non-Physician	166,610	0	0	0	0	0	0	0	166,610	0	
9. Total	379,965	0	0	0	0	0	0	0	379,965	0	
10. Hospital Patient Days Incurred	88,468	0	0	0	0	0	0	0	88,468	0	
11. Number of Inpatient Admissions	6,780	0	0	0	0	0	0	0	6,780	0	
12. Health Premiums Written (b).....	129,814,162	0	0	0	0	0	0	0	129,814,162	0	
13. Life Premiums Direct	0	0	0	0	0	0	0	0	0	0	
14. Property/Casualty Premiums Written.....	0	0	0	0	0	0	0	0	0	0	
15. Health Premiums Earned.....	129,814,162	0	0	0	0	0	0	0	129,814,162	0	
16. Property/Casualty Premiums Earned.....	0	0	0	0	0	0	0	0	0	0	
17. Amount Paid for Provision of Health Care Services	105,035,115	0	0	0	0	0	0	0	105,035,115	0	
18. Amount Incurred for Provision of Health Care Services	100,492,100	0	0	0	0	0	0	0	100,492,100	0	

(a) For health business: number of persons insured under PPO managed care products 0 and number of persons under indemnity only products 0

(b) For health premiums written: amount of Medicare Title XVIII exempt from state taxes of fees \$ 0

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1. Book/adjusted carrying value, December 31, prior year.....	0
2. Increase (decrease) by adjustment:	
2.1 Totals, Part 1, Column 11	0
2.2 Totals, Part 3, Column 8	0
3. Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances, Column 7, and net of credit to permanent improvements (Column 9)	0
4. Cost of additions and permanent improvements:	
4.1 Totals, Part 1, Column 14	0
4.2 Totals, Part 3, Column 10	0
5. Total profit (loss) on sales, Part 3, Column 15	0
6. Increase (decrease) by foreign exchange adjustment:	
6.1 Totals, Part 1, Column 12	0
6.2 Totals, Part 3, Column 9	0
7. Amounts received on sales, Part 3, Column 12 and Part 1, Column 13	0
8. Book/adjusted carrying value at end of current period	0
9. Total valuation allowance	
10. Subtotal (Lines 8 plus 9)	0
11. Total nonadmitted amounts	
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	0

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31, prior year	0
2. Amount loaned during year:	
2.1 Actual cost at time of acquisitions	
2.2 Additional investment made after acquisitions	0
3. Accrual of discount and mortgage interest points and commitment fees	
4. Increase (decrease) by adjustment	
5. Total profit (loss) on sale	
6. Amounts paid on account or in full during the year	
7. Amortization of premium	
8. Increase (decrease) by foreign exchange adjustment	
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	0
10. Total valuation allowance	
11. Subtotal (Lines 9 plus 10)	0
12. Total nonadmitted amounts	
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column).....	0

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Long-Term Invested Assets

1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	0
2. Cost of acquisitions during year:	
2.1 Actual cost at time of acquisitions	
2.2 Additional investment made after acquisitions	0
3. Accrual of discount	
4. Increase (decrease) by adjustment	
5. Total profit (loss) on sale	0
6. Amounts paid on account or in full during the year	
7. Amortization of premium	
8. Increase (decrease) by foreign exchange adjustment	
9. Book/adjusted carrying value of long-term invested assets at end of current period	0
10. Total valuation allowance	
11. Subtotal (Lines 9 plus 10)	0
12. Total nonadmitted amounts	
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3).....	0

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	3,023,046	3,026,537	2,993,526	3,025,000
	2. Canada				
	3. Other Countries				
	4. Totals	3,023,046	3,026,537	2,993,526	3,025,000
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals	0	0	0	0
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	3,023,046	3,026,537	2,993,526	3,025,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals	0	0	0	
	54. Total Common Stocks	0	0	0	
	55. Total Stocks	0	0	0	
	56. Total Bonds and Stocks	3,023,046	3,026,537	2,993,526	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	3,307,538	7. Amortization of premium.....	
2. Cost of bonds and stocks acquired, Column 7, Part 3	0	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	15,508	8.1 Column 15, Part 1	0
4. Increase (decrease) by adjustment:.....		8.2 Column 19, Part 2, Sec. 1.....	0
4.1 Columns 12 - 14, Part 1.....	0	8.3 Column 16, Part 2, Sec. 2	0
4.2 Columns 15 - 17, Part 2, Sec. 1.....	0	8.4 Column 15, Part 4	0
4.3 Column 15, Part 2, Sec. 2.....	0		
4.4 Columns 11 - 13, Part 4	0	9. Book/adjusted carrying value at end of current period	3,023,046
5. Total gain (loss), Column 19, Part 4	0	10. Total valuation allowance	
6. Deduct consideration for bonds and stocks disposed of		11. Subtotal (Lines 9 plus 10)	3,023,046
Column 7, Part 4	300,000	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	3,023,046

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Class 1		3,023,046				3,023,046	100.0	3,307,538	100.0	3,023,046	
1.2 Class 2 .....						.0	0.0	.0	0.0		
1.3 Class 3 .....						.0	0.0	.0	0.0		
1.4 Class 4 .....						.0	0.0	.0	0.0		
1.5 Class 5 .....						.0	0.0	.0	0.0		
1.6 Class 6						0	0.0	0	0.0		
1.7 Totals	0	3,023,046	0	0	0	3,023,046	100.0	3,307,538	100.0	3,023,046	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1 .....						.0	0.0	.0	0.0		
2.2 Class 2 .....						.0	0.0	.0	0.0		
2.3 Class 3 .....						.0	0.0	.0	0.0		
2.4 Class 4 .....						.0	0.0	.0	0.0		
2.5 Class 5 .....						.0	0.0	.0	0.0		
2.6 Class 6						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1 .....						.0	0.0	.0	0.0		
3.2 Class 2 .....						.0	0.0	.0	0.0		
3.3 Class 3 .....						.0	0.0	.0	0.0		
3.4 Class 4 .....						.0	0.0	.0	0.0		
3.5 Class 5 .....						.0	0.0	.0	0.0		
3.6 Class 6						0	0.0	0	0.0		
3.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1 .....						.0	0.0	.0	0.0		
4.2 Class 2 .....						.0	0.0	.0	0.0		
4.3 Class 3 .....						.0	0.0	.0	0.0		
4.4 Class 4 .....						.0	0.0	.0	0.0		
4.5 Class 5 .....						.0	0.0	.0	0.0		
4.6 Class 6						0	0.0	0	0.0		
4.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1 .....						.0	0.0	.0	0.0		
5.2 Class 2 .....						.0	0.0	.0	0.0		
5.3 Class 3 .....						.0	0.0	.0	0.0		
5.4 Class 4 .....						.0	0.0	.0	0.0		
5.5 Class 5 .....						.0	0.0	.0	0.0		
5.6 Class 6						0	0.0	0	0.0		
5.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1 .....						.0	0.0	.0	0.0		
6.2 Class 2 .....						.0	0.0	.0	0.0		
6.3 Class 3 .....						.0	0.0	.0	0.0		
6.4 Class 4 .....						.0	0.0	.0	0.0		
6.5 Class 5 .....						.0	0.0	.0	0.0		
6.6 Class 6						0	0.0	0	0.0		
6.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1 .....						.0	0.0	.0	0.0		
7.2 Class 2 .....						.0	0.0	.0	0.0		
7.3 Class 3 .....						.0	0.0	.0	0.0		
7.4 Class 4 .....						.0	0.0	.0	0.0		
7.5 Class 5 .....						.0	0.0	.0	0.0		
7.6 Class 6						0	0.0	0	0.0		
7.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1 .....						.0	0.0	.0	0.0		
8.2 Class 2 .....						.0	0.0	.0	0.0		
8.3 Class 3 .....						.0	0.0	.0	0.0		
8.4 Class 4 .....						.0	0.0	.0	0.0		
8.5 Class 5 .....						.0	0.0	.0	0.0		
8.6 Class 6						0	0.0	0	0.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1 .....						.0	0.0	.0	0.0		
9.2 Class 2 .....						.0	0.0	.0	0.0		
9.3 Class 3 .....						.0	0.0	.0	0.0		
9.4 Class 4 .....						.0	0.0	.0	0.0		
9.5 Class 5 .....						.0	0.0	.0	0.0		
9.6 Class 6						0	0.0	0	0.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

	1	2	3	4	5	6	7	8	9	10	11
Quality Rating per the NAIC Designation	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 6 as a % of Line 10.7	Total from Col. 6 Prior Year	% From Col. 7 Prior Year	Total Publicly Traded	Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1	.0	3,023,046	.0	.0	.0	3,023,046	100.0	XXX	XXX	3,023,046	.0
10.2 Class 2	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.3 Class 3	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.4 Class 4	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.5 Class 5	.0	.0	.0	.0	.0	(c) .0	0.0	XXX	XXX	.0	.0
10.6 Class 6	.0	.0	.0	.0	.0	(c) .0	0.0	XXX	XXX	.0	.0
10.7 Totals	.0	3,023,046	.0	.0	.0	(b) 3,023,046	100.0	XXX	XXX	3,023,046	.0
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Class 1	.0	3,307,538	.0	.0	.0	XXX	XXX	3,307,538	100.0	3,307,538	.0
11.2 Class 2	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.3 Class 3	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.4 Class 4	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.5 Class 5	.0	.0	.0	.0	.0	XXX	XXX	(c) .0	0.0	.0	.0
11.6 Class 6	.0	.0	.0	.0	.0	XXX	XXX	(c) .0	0.0	.0	.0
11.7 Totals	.0	3,307,538	.0	.0	.0	XXX	XXX	(b) 3,307,538	100.0	3,307,538	.0
11.8 Line 11.7 as a % of Col. 8	0.0	100.0	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Class 1		3,023,046				3,023,046	100.0	3,307,538	100.0	3,023,046	XXX
12.2 Class 2						.0	0.0	.0	0.0	.0	XXX
12.3 Class 3						.0	0.0	.0	0.0	.0	XXX
12.4 Class 4						.0	0.0	.0	0.0	.0	XXX
12.5 Class 5						.0	0.0	.0	0.0	.0	XXX
12.6 Class 6						0	0.0	0	0.0	0	XXX
12.7 Totals	.0	3,023,046	.0	.0	.0	3,023,046	100.0	3,307,538	100.0	3,023,046	XXX
12.8 Line 12.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Class 1						.0	0.0	.0	0.0	XXX	.0
13.2 Class 2						.0	0.0	.0	0.0	XXX	.0
13.3 Class 3						.0	0.0	.0	0.0	XXX	.0
13.4 Class 4						.0	0.0	.0	0.0	XXX	.0
13.5 Class 5						.0	0.0	.0	0.0	XXX	.0
13.6 Class 6						0	0.0	0	0.0	XXX	0
13.7 Totals	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

(a) Includes \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
(b) Includes \$ current year, \$ prior year of bonds with Z designations and \$, current year, \$ prior year of bonds with Z* designations. The letter “Z” means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. “Z*” means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
(c) Includes \$ current year, \$ prior year of bonds with 5* designations and \$, current year, \$ prior year of bonds with 6* designations. “5*” means the NAIC designation was assigned by the SVO in reliance on the insurer’s certification that the issuer is current in all principal and interest payments. “6*” means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Issuer Obligations		3,023,046				3,023,046	100.0	3,307,538	100.0	3,023,046	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
1.7 Totals	0	3,023,046	0	0	0	3,023,046	100.0	3,307,538	100.0	3,023,046	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Issuer Obligations						0	0.0	0	0.0		
2.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
2.3 Defined						0	0.0	0	0.0		
2.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
2.5 Defined						0	0.0	0	0.0		
2.6 Other						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories, and Possessions Guaranteed, Schedules D & DA (Group 3)											
3.1 Issuer Obligations						0	0.0	0	0.0		
3.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
3.3 Defined						0	0.0	0	0.0		
3.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
3.5 Defined						0	0.0	0	0.0		
3.6 Other						0	0.0	0	0.0		
3.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Issuer Obligations						0	0.0	0	0.0		
4.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
4.3 Defined						0	0.0	0	0.0		
4.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
4.5 Defined						0	0.0	0	0.0		
4.6 Other						0	0.0	0	0.0		
4.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Issuer Obligations						0	0.0	0	0.0		
5.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
5.3 Defined						0	0.0	0	0.0		
5.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
5.5 Defined						0	0.0	0	0.0		
5.6 Other						0	0.0	0	0.0		
5.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations						0	0.0	0	0.0		
6.2 Single Class Mortgage-Backed/Asset-Based Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
6.3 Defined						0	0.0	0	0.0		
6.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
6.5 Defined						0	0.0	0	0.0		
6.6 Other						0	0.0	0	0.0		
6.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations						0	0.0	0	0.0		
7.2 Single Class Mortgage-Backed/Asset-Based Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
7.3 Defined						0	0.0	0	0.0		
7.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
7.5 Defined						0	0.0	0	0.0		
7.6 Other						0	0.0	0	0.0		
7.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations						0	0.0	0	0.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parents, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations						0	0.0	0	0.0		
9.2 Single Class Mortgage-Backed/Asset-Based Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
9.3 Defined						0	0.0	0	0.0		
9.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
9.5 Defined						0	0.0	0	0.0		
9.6 Other						0	0.0	0	0.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total From Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations	0	3,023,046	0	0	0	3,023,046	100.0	XXX	XXX	3,023,046	0
10.2 Single Class Mortgage-Backed/Asset-Backed Securities	0	0	0	0	0	0	0.0	XXX	XXX	0	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
10.3 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.4 Other	0	0	0	0	0	0	0.0	XXX	XXX	0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
10.5 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.6 Other	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.7 Totals	0	3,023,046	0	0	0	3,023,046	100.0	XXX	XXX	3,023,046	0
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Issuer Obligations	0	3,307,538	0	0	0	XXX	XXX	3,307,538	100.0	3,307,538	0
11.2 Single Class Mortgage-Backed/Asset-Backed Securities	0	0	0	0	0	XXX	XXX	0	0.0	0	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
11.3 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.4 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
11.5 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.6 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.7 Totals	0	3,307,538	0	0	0	XXX	XXX	3,307,538	100.0	3,307,538	0
11.8 Line 11.7 as a % of Col. 8	0.0	100.0	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations		3,023,046				3,023,046	100.0	3,307,538	100.0	3,023,046	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0	0	XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
12.3 Defined						0	0.0	0	0.0	0	XXX
12.4 Other						0	0.0	0	0.0	0	XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
12.5 Defined						0	0.0	0	0.0	0	XXX
12.6 Other						0	0.0	0	0.0	0	XXX
12.7 Totals	0	3,023,046	0	0	0	3,023,046	100.0	3,307,538	100.0	3,023,046	XXX
12.8 Line 12.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations						0	0.0	0	0.0	XXX	0
13.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0	XXX	0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
13.3 Defined						0	0.0	0	0.0	XXX	0
13.4 Other						0	0.0	0	0.0	XXX	0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
13.5 Defined						0	0.0	0	0.0	XXX	0
13.6 Other						0	0.0	0	0.0	XXX	0
13.7 Totals	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

Schedule DA - Part 2

NONE

Schedule DB - Part A - VBY

NONE

Schedule DB - Part B - VBY

NONE

Schedule DB - Part C - VBY

NONE

Schedule DB - Part D - VBY

NONE

Schedule DB - Part E - VBY

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S - Part 1 - Section 2

NONE

Schedule S - Part 2

NONE

Schedule S - Part 3 - Section 2

NONE

Schedule S - Part 4

NONE

Schedule S - Part 5

NONE

Schedule S - Part 6

NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
States, Etc.		Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	No							0	0
2. Alaska	AK	No							0	0
3. Arizona	AZ	No							0	0
4. Arkansas	AR	No							0	0
5. California	CA	No							0	0
6. Colorado	CO	No							0	0
7. Connecticut	CT	No							0	0
8. Delaware	DE	No							0	0
9. District of Columbia	DC	No							0	0
10. Florida	FL	No							0	0
11. Georgia	GA	No							0	0
12. Hawaii	HI	No							0	0
13. Idaho	ID	No							0	0
14. Illinois	IL	No							0	0
15. Indiana	IN	No							0	0
16. Iowa	IA	No							0	0
17. Kansas	KS	No							0	0
18. Kentucky	KY	No							0	0
19. Louisiana	LA	No							0	0
20. Maine	ME	No							0	0
21. Maryland	MD	No							0	0
22. Massachusetts	MA	No							0	0
23. Michigan	MI	No							0	0
24. Minnesota	MN	No							0	0
25. Mississippi	MS	No							0	0
26. Missouri	MO	No							0	0
27. Montana	MT	No							0	0
28. Nebraska	NE	No							0	0
29. Nevada	NV	No							0	0
30. New Hampshire	NH	No							0	0
31. New Jersey	NJ	No							0	0
32. New Mexico	NM	No							0	0
33. New York	NY	No							0	0
34. North Carolina	NC	No							0	0
35. North Dakota	ND	No							0	0
36. Ohio	OH	No							0	0
37. Oklahoma	OK	No							0	0
38. Oregon	OR	No							0	0
39. Pennsylvania	PA	No							0	0
40. Rhode Island	RI	No							0	0
41. South Carolina	SC	No							0	0
42. South Dakota	SD	No							0	0
43. Tennessee	TN	Yes			129,814,162				129,814,162	0
44. Texas	TX	No							0	0
45. Utah	UT	No							0	0
46. Vermont	VT	No							0	0
47. Virginia	VA	No							0	0
48. Washington	WA	No							0	0
49. West Virginia	WV	No							0	0
50. Wisconsin	WI	No							0	0
51. Wyoming	WY	No							0	0
52. American Samoa	AS	No							0	0
53. Guam	GU	No							0	0
54. Puerto Rico	PR	No							0	0
55. U.S. Virgin Islands	VI	No							0	0
56. Northern Mariana Islands	MP								0	0
57. Canada	CN								0	0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX		0	0	129,814,162	0	0	0	129,814,162	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	
61. Total (Direct Business)	(a) 1		0	0	129,814,162	0	0	0	129,814,162	0
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX		0	0	0	0	0	0	0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		0	0	0	0	0	0	0	

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE T – PART 2
INTERSTATE COMPACT – EXHIBIT OF PREMIUMS WRITTEN

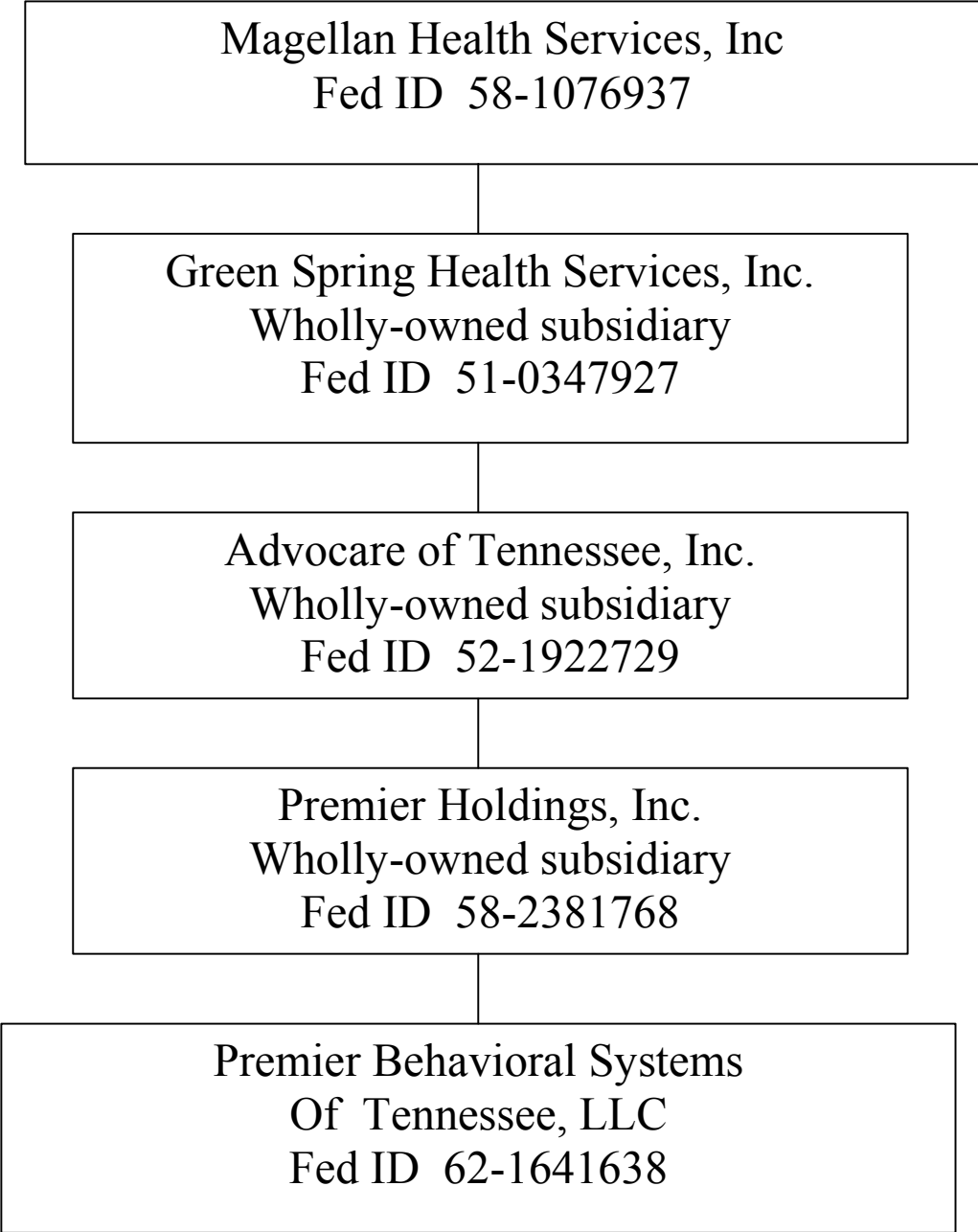
Allocated by States and Territories

States, Etc.		Direct Business Only					
		1	2	3	4	5	6
		Life (Group and Individual)	Annuities (Group and Individual)	Disability Income (Group and Individual)	Long-Term Care (Group and Individual)	Deposit-Type Contracts	Totals
1. Alabama	AL						0
2. Alaska	AK						0
3. Arizona	AZ						0
4. Arkansas	AR						0
5. California	CA						0
6. Colorado	CO						0
7. Connecticut	CT						0
8. Delaware	DE						0
9. District of Columbia	DC						0
10. Florida	FL						0
11. Georgia	GA						0
12. Hawaii	HI						0
13. Idaho	ID						0
14. Illinois	IL						0
15. Indiana	IN						0
16. Iowa	IA						0
17. Kansas	KS						0
18. Kentucky	KY						0
19. Louisiana	LA						0
20. Maine	ME						0
21. Maryland	MD						0
22. Massachusetts	MA						0
23. Michigan	MI						0
24. Minnesota	MN						0
25. Mississippi	MS						0
26. Missouri	MO						0
27. Montana	MT						0
28. Nebraska	NE						0
29. Nevada	NV						0
30. New Hampshire	NH						0
31. New Jersey	NJ						0
32. New Mexico	NM						0
33. New York	NY						0
34. North Carolina	NC						0
35. North Dakota	ND						0
36. Ohio	OH						0
37. Oklahoma	OK						0
38. Oregon	OR						0
39. Pennsylvania	PA						0
40. Rhode Island	RI						0
41. South Carolina	SC						0
42. South Dakota	SD						0
43. Tennessee	TN						0
44. Texas	TX						0
45. Utah	UT						0
46. Vermont	VT						0
47. Virginia	VA						0
48. Washington	WA						0
49. West Virginia	WV						0
50. Wisconsin	WI						0
51. Wyoming	WY						0
52. American Samoa	AS						0
53. Guam	GU						0
54. Puerto Rico	PR						0
55. U.S. Virgin Islands	VI						0
56. Northern Mariana Islands	MP						0
57. Canada	CN						0
58. Aggregate Other Alien	OT						0
59. Totals		0	0	0	0	0	0

NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



55

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

[illegible]

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of **WAIVED** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

- 1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?
- 2. Will an actuarial opinion be filed by March 1?
- 3. Will the confidential Risk-based Capital Report be filed with the NAIC by March 1?
- 4. Will the confidential Risk-based Capital Report be filed with the state of domicile, if required by March 1?

Responses

.....YES.....
.....YES.....
.....SEE EXPLANATION.....
.....YES.....

APRIL FILING

- 5. Will Management's Discussion and Analysis be filed by April 1?
- 6. Will the Supplemental Investment Risks Interrogatories be filed by April 1?
- 7. Will the Accident and Health Policy Experience Exhibit be filed by April 1?

.....YES.....
.....YES.....
.....YES.....

JUNE FILING

- 8. Will an audited financial report be filed by June 1?

.....YES.....

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

MARCH FILING

- 9. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?
- 10. Will the Supplemental Life data due March 1 be filed with the state of domicile and the NAIC?
- 11. Will the Supplemental Property/Casualty data due March 1 be filed with the state of domicile and the NAIC?
- 12. Will the Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?
- 13. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC by March 1?

.....NO.....
.....NO.....
.....NO.....
.....NO.....
.....NO.....

APRIL FILING

- 14. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?
- 15. Will the Supplemental Life data due April 1 be filed with the state of domicile and the NAIC?
- 16. Will the Supplemental Property/Casualty Insurance Expense Exhibit due April 1 be filed with any state that requires it, and, if so, the NAIC?

.....NO.....
.....NO.....
.....NO.....

EXPLANATION:

3. Company is not required to file.

9.

10.

11.

12.

13.

14.

15.

16.

BAR CODE:

9. 
0 0 0 0 0 2 0 0 7 3 6 0 5 9 0 0 0

10. 
0 0 0 0 0 2 0 0 7 2 0 5 0 0 0 0 0

11. 
0 0 0 0 0 2 0 0 7 2 0 7 0 0 0 0 0

12. 
0 0 0 0 0 2 0 0 7 4 2 0 0 0 0 0 0

13. 
0 0 0 0 0 2 0 0 7 3 6 5 5 9 0 0 0

14. 
0 0 0 0 0 2 0 0 7 3 3 0 5 9 0 0 0

15. 
0 0 0 0 0 2 0 0 7 2 1 1 5 9 0 0 0

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

16.



OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX

(http://www.naic.org/committees_e_app_blanks.htm)

ANNUAL STATEMENT BLANK

Exhibit of Nonadmitted Assets	16
Analysis of Operations By Lines of Business	7
Assets	2
Cash Flow	6
Exhibit 1 – Enrollment By Product Type for Health Business Only	17
Exhibit 2 – Accident and Health Premiums Due and Unpaid	18
Exhibit 3 – Health Care Receivables	19
Exhibit 4 – Claims Unpaid and Incentive Pool, Withhold and Bonus	20
Exhibit 5 – Amounts Due From Parent, Subsidiaries and Affiliates	21
Exhibit 6 – Amounts Due To Parent, Subsidiaries and Affiliates	22
Exhibit 7 – Part 1 – Summary of Transactions With Providers	23
Exhibit 7 – Part 2 – Summary of Transactions With Intermediaries	23
Exhibit 8 – Furniture, Equipment and Supplies Owned	24
Exhibit of Capital Gains (Losses)	15
Exhibit of Net Investment Income	15
Exhibit of Premiums, Enrollment and Utilization (State Page)	30
Five-Year Historical Data	29
General Interrogatories	27
Jurat Page	1
Liabilities, Capital and Surplus	3
Notes To Financial Statements	25
Overflow Page For Write-ins	55
Schedule A – Part 1	E01
Schedule A – Part 2	E02
Schedule A – Part 3	E03
Schedule A – Verification Between Years	31
Schedule B – Part 1	E04
Schedule B – Part 2	E05
Schedule B – Verification Between Years	31
Schedule BA – Part 1	E06
Schedule BA – Part 2	E07
Schedule BA – Verification Between Years	31
Schedule D – Part 1	E08
Schedule D – Part 1A – Section 1	33
Schedule D – Part 1A – Section 2	36
Schedule D – Part 2 – Section 1	E09

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

Schedule D – Part 2 – Section 2	E10
Schedule D – Part 3	E11
Schedule D – Part 4	E12
Schedule D – Part 5	E13
Schedule D – Part 6 – Section 1	E14
Schedule D – Part 6 – Section 2	E14
Schedule D – Summary By Country	32
Schedule D – Verification Between Years	32
Schedule DA – Part 1	E15
Schedule DA – Part 2 – Verification Between Years	39
Schedule DB – Part A – Section 1	E16
Schedule DB – Part A – Section 2	E16
Schedule DB – Part A – Section 3	E17
Schedule DB – Part A – Verification Between Years	40
Schedule DB – Part B – Section 1	E17
Schedule DB – Part B – Section 2	E18
Schedule DB – Part B – Section 3	E18
Schedule DB – Part B – Verification Between Years	40
Schedule DB – Part C – Section 1	E19
Schedule DB – Part C – Section 2	E19
Schedule DB – Part C – Section 3	E20
Schedule DB – Part C – Verification Between Years	41
Schedule DB – Part D – Section 1	E20
Schedule DB – Part D – Section 2	E21
Schedule DB – Part D – Section 3	E21
Schedule DB – Part D – Verification Between Years	41
Schedule DB – Part E – Section 1	E22
Schedule DB – Part E – Verification	41
Schedule DB – Part F – Section 1	42
Schedule DB – Part F – Section 2	43
Schedule E – Part 1 – Cash	E23
Schedule E – Part 2 – Cash Equivalents	E24
Schedule E – Part 3 – Special Deposits	E25
Schedule S – Part 1 – Section 2	44
Schedule S – Part 2	45
Schedule S – Part 3 – Section 2	46
Schedule S – Part 4	47
Schedule S – Part 5	48
Schedule S – Part 6	49
Schedule T – Part 2 – Interstate Compact	51

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

Schedule T – Premiums and Other Considerations	50
Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	52
Schedule Y - Part 2 – Summary of Insurer’s Transactions With Any Affiliates	53
Statement of Revenue and Expenses	4
Summary Investment Schedule	26
Supplemental Exhibits and Schedules Interrogatories	54
Underwriting and Investment Exhibit – Part 1	8
Underwriting and Investment Exhibit – Part 2	9
Underwriting and Investment Exhibit – Part 2A	10
Underwriting and Investment Exhibit – Part 2B	11
Underwriting and Investment Exhibit – Part 2C	12
Underwriting and Investment Exhibit – Part 2D	13
Underwriting and Investment Exhibit – Part 3	14

Schedule A - Part 1

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

[illegible]

E08

Schedule D - Part 2 - Section 1

NONE

Schedule D - Part 2 - Section 2

NONE

Schedule D - Part 3

NONE

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Year

[illegible]

Schedule D - Part 5

NONE

Schedule D - Part 6 - Section 1

NONE

Schedule D - Part 6 - Section 2

NONE

Schedule DA - Part 1

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part A - Section 2

NONE

Schedule DB - Part A - Section 3

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part B - Section 2

NONE

Schedule DB - Part B - Section 3

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2
NONE

Schedule DB - Part C - Section 3
NONE

Schedule DB - Part D - Section 1
NONE

Schedule DB - Part D - Section 2
NONE

Schedule DB - Part D - Section 3
NONE

Schedule DB - Part E - Section 1
NONE

Schedule E - Part 2

NONE

Schedule E - Part 3

NONE

Premier Behavioral Health of TN, LLC.
BHO TennCare Operations Statement of Revenue and Expenses
For the Yea Ending December 31, 2007
Report 2A

	Current Quarter Total	Year to Date Total
Member Months	772,013	4,058,012
Revenues		
TennCare Capitation	24,438,361	129,814,162
Risk Share Revenue	(1,689,205)	(5,356,890)
Investment (Interest)	335,165	2,071,362
Total Revenues	23,084,321	126,528,634
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	4,850,353	27,878,110
Inpatient Substance Abuse Treatment and Detox	267,971	1,644,460
Outpatient Mental Health Services	3,935,794	24,570,707
Outpatient Substance Abuse Treatment and Detox	237,023	1,479,720
Housing/Residential Treatment	3,067,616	13,833,562
Specialized Crisis Services	763,183	4,486,748
Psychiatric Rehab and Support Services	254,589	1,496,730
Case Management	3,542,597	21,450,137
Forensics		
Other Judicial		
Pharmacy		
Lab Services	18,413	125,666
Transportation	595,046	3,526,260
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization	0	0
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal	17,532,585	100,492,100
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	17,532,585	100,492,100
Claim Adjustment Expense	244,384	1,298,142
Administration ¹		
Rent	31,077	165,079
Salaries and Wages	1,117,836	5,937,834
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare	3,366	17,879
Legal fees and expenses	12,833	68,166
Medical examination fees		
Utilization management		
Certifications and accreditation	(104)	511
Auditing, actuarial and other consulting services	140,474	723,657
Traveling expenses	40,780	216,619
Marketing and advertising	26,782	142,262
Postage, express, telegraph and telephone	49,907	265,020
Printing and stationary	271,681	716,429
Occupancy, depreciation and amortization	507,875	2,706,678
Rental of equipment	791	4,203
Outsourced services includes EDP, claims, and other services	(899)	(4,773)
Books and periodicals		
Boards, bureaus and association fees	6,875	35,658
Insurance, except on real estate		-
Collection and bank service charges	14,070	66,971
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses	593	3,152
Real estate taxes		
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes	1,675	1,675
State premium taxes	459,088	2,512,912
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	170,028	190,865
Investment expenses not included elsewhere		
Total Administrative Expenses	2,854,728	13,770,796
Total Expenses	20,631,697	115,561,038
Net Income (Loss)	2,452,624	10,967,596

¹ The ASO fee Administration expense breakout is assumed based upon current sub-contractor's expenses.

**Premier IBNR Analysis
as of 12/31/2007**

<u>Lag/Issue</u>	<u>G/L Balance</u>	<u>IBNR per lags</u>	<u>Difference</u>
Outpatient		403,517	
Inpatient			
Private & Residential		5,231,726	
		5,231,726	
Supported Housing		291,310	
IOP		148,455	
Partial		2,975	
Transportation		130,028	
In-Home		332,857	
	6,540,868	6,540,868	-

GL vs Projection Analysis

	GL	Projection	Margin
647-21000 Liability - FFS Claims	6,540,868	6,540,868	-
647-21982 FFS PAD	523,272	523,272	-
647-21400 CMHC Lookback	2,697,808	2,697,808	-
647-21005 Claims Cutoff	875,979	875,979	-
Subtotal	10,637,927	10,637,927	-
647-21805 Reinvestment Reserve	133,656	133,656	-
Total	10,771,583	10,771,583	-

Premier Behavioral Systems
Reconciliation of Net Premium Income and Uncollected Premiums
A: December 31, 2007

		<u>Jan-07</u>	<u>Feb-07</u>	<u>Mar-07</u>	<u>Apr-07</u>	<u>May-07</u>	<u>Jun-07</u>	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Total</u>
Gross Revenue Paid		19,616,137.68	18,852,662.61	19,869,833.98	9,242,602.67	8,182,364.38	8,505,037.33	8,205,786.62	8,303,720.87	6,645,960.41	8,212,117.61	7,979,267.51	8,053,137.03	131,668,628.70
Change in Retro Revenue Accrual	1,2	<u>(151,215.57)</u>	<u>576,379.96</u>	<u>(403,298.30)</u>	<u>(1,105,149.89)</u>	<u>(61,899.27)</u>	<u>(134,017.93)</u>	<u>(96,152.78)</u>	<u>(1,217,576.87)</u>	<u>544,625.59</u>	<u>365,147.09</u>	<u>(375,769.35)</u>	<u>204,460.97</u>	<u>(1,854,466.35)</u>
Total Reveue		19,464,922.11	19,429,042.57	19,466,535.68	8,137,452.78	8,120,465.11	8,371,019.40	8,109,633.84	7,086,144.00	7,190,586.00	8,577,264.70	7,603,498.16	8,257,598.00	129,814,162.35
<u>Retro Revenue Accrual</u>														
Balance, December 31, 2006		3,059,195.36									8,577,264.70	7,603,498.16	8,257,598.00	
2007 Change in Balance		<u>(1,854,466.35)</u>									-	-	-	
Balance, December 31, 2007		1,204,729.01												
<u>Uncollected Premiums</u>														
December 2007 2.5% Withhold		201,328.43												
Retro Revenue Accrual	1,2	<u>1,204,729.01</u>												
Total		1,406,057.44												

1. Due to timing of priority status assessment being submitted to the State and entered into payments system, at the time of initial payment certain members who would qualify for payment at the higher priority rates are paid at the non priority rates. PBS records an accrual related to this misclassification.
2. Allowance for retroactive member additions. Comparison of remittance to eligibility

TennCare Partners Program
Reconciliation of IBNR per MLR to Quarterly Filing
December 31, 2007

	PBS	TBH	East
IBNR Per MLR Report	9,238,676	4,297,162	15,398,433
<u>Adjustments</u>			
Claims Cutoff (1)	875,979	297,861	515,939
FFS PAD (2)	523,272	304,324	926,492
Reinvestment Reserve	133,656	428,437	-
<i>Total Adjustments</i>	<i>1,532,907</i>	<i>1,030,622</i>	<i>1,442,431</i>
IBNR Per Monthly Filing	10,771,583	5,327,784	16,840,864

- (1) Claims processed during month but not paid until January. Included as a component of paid claims on the MLR reports.
- (2) Ernst & Young requiring a 8% PAD above point estimate for FFS IBNR. Is an allowance for adverse deviation. Not reflected in MLR reports.

TennCare Partners Program
Reconciliation of Medical Expense per MLR to Quarterly Filing
December 31, 2007

	PBS	TBH	East
Medical Expense Per MLR Report	99,314,340	38,219,366	122,539,553
<u>Adjustments</u>			
Adjustment to Prior Period IBNR (1)	655,100	(1,188,226)	(617,293)
FFS PAD (2)	522,660	304,240	925,205
<i>Total Adjustments</i>	<i>1,177,760</i>	<i>(883,986)</i>	<i>307,912</i>
Medical Expense Per Monthly Filing	100,492,100	37,335,380	122,847,465

(1) Adjustment to IBNR for 12/31/06 and prior dates of service. Ties to underwriting and investment exhibit.

(2) Portion pertaining to 2007 only.

TennCare Partners Program
Reconciliation of Revenue per MLR to Quarterly Filing
December 31, 2007

	PBS	TBH	East
Revenue Per MLR Report	129,645,408	53,671,783	142,917,684
<u>Adjustments</u>			
2006 retro membership (1)	168,754	(108,145)	322,616
<i>Total Adjustments</i>	<i>168,754</i>	<i>(108,145)</i>	<i>322,616</i>
Revenue Per Monthly Filing	129,814,162	53,563,638	143,240,300

(1) Change in 2006 revenue between December 2006 MLR report and December 2007 MLR report.